

Message Text

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PAGE 01 BONN 06804 111602 Z

67

ACTION EUR-10

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FM AMEMBASSY BONN

TO SECSTATE WASHDC 4993

C O N F I D E N T I A L BONN 06804

LIMDIS

DEPARTMENT PASS FEDERAL RESERVE AND TREASURY FOR WIDMAN

E. O. 11652: GDS

TAGS: EFIN, GW

SUBJECT: GERMAN FOREIGN EXCHANGE CONTROLS ON CAPITAL
IMPORTS BY BRACHES OF US BANKS

REF: BONN 4296

1. REFTEL REPORTS ON THE RESOLUTION OF THE PROBLEMS INVOLVING REDISCOUNT QUOTAS OF FOREIGN BANKS IN ADDITION TO THESE REGULATIONS THE CENTRAL BANK COUNCIL HAS NOW ALSO LIMITED THE AMOUNT OF NEW CAPITAL WHICH CAN BE BROUGHT INTO GERMANY BY SUCH BANKS. THE CENTRAL BANK COUNCIL ACTION IS TAKEN UNDER THE GERMAN FOREIGN EXCHANGE CONTROL LICENSING REQUIREMENTS AND IS DESIGNED TO PREVENT FOREIGN BANKS FROM BRINGING IN AN UNREASONABLE AMOUNT OF "CHEAP" FOREIGN MONEY IN THE GUISE OF CAPITAL. THE REGULATIONS SERVE AS A GUIDELINE TO THE LAD CENTRAL BANKS WHICH ADMINISTER THE ACTUAL LICENSING.

2. THE NEW CENTRAL BANK GUIDELINES PROVIDE THAT A NEW FOREIGN BANK ESTABLISHED IN GERMANY EITHER AS A BRANCH OR A SEPARATE CORPORATION SHALL BE LIMITED INITIALLY TO A
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PAGE 02 BONN 06804 111602 Z

CAPITAL IMPORT OF DM 10 MILLION OR IN EXCEPTIONAL CASES
DM 15 MILLION. ADDITIONS TO CAPITAL BY ESTABLISHED
FOREIGN BANKS SHALL BE LIMITED IN SUCH A MANNER THAT THE
RATIO BETWEEN CAPITAL AND THE VOLUME OF BUSINESS
(BALANCE SHEET TOTAL) OF THE FOREIGN BANK' S BRANCH OR
AFFILIATE IN GERMANY IS NO GREATER THAN THE SAME RATIO IS
FOR ITS PARENT INSTITUTION.
HILLENBRAND

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NMAFVVZCZ

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